

Claims

1. A method for mitigating risks of climatic change comprising:
  - selecting a contingency that occurs upon a predetermined change in an environmental condition;
  - selecting a payment schedule for repayment of a principal amount;
  - providing a contingent security in exchange for the principal amount;
  - paying a holder of the contingent security according to the payment schedule if the contingency does not occur, and paying a party affected by the occurrence of the environmental condition if the contingency does occur; and
  - coupling a permit with the contingent security, the permit authorizing the holder to emit a quantity of a substance that is associated with changes in the environmental condition.
2. The method of claim 1 wherein the payment schedule includes one or more coupon payments prior to a maturity date of the contingent security.
3. The method of claim 1 wherein the payment schedule includes a final payment equal to the principal amount and interest upon the principal amount.
4. The method of claim 1 wherein the environmental condition includes at least one of a global mean temperature, a sea level, a frequency of storms, or an intensity of storms.
5. The method of claim 1 further comprising providing a secondary market for trading at least one of the permit or the contingent security.
6. The method of claim 1 further comprising:
  - decoupling the permit from the contingent security after the contingent security is issued;
  - providing a first secondary market for trading the permit; and

providing a second secondary market for trading the contingent security.

7. The method of claim 6 wherein a plurality of contingent securities having different payment schedules are traded in the second secondary market, and a plurality of permits authorizing emissions of different amounts of different substances are traded in the first secondary market.

8. The method of claim 1 further comprising establishing an insurance fund to hold the principal amount, the insurance fund disbursing funds upon occurrence of the contingency.

9. The method of claim 1 wherein the holder of the permit includes at least one of a business, a manufacturer, an agricultural concern, or a government agency.

10. A method of doing business comprising:

selecting a contingency that occurs upon a change in an objectively measurable condition;

selecting a payment schedule for repayment of a principal amount;

providing a contingent security in exchange for the principal amount;

coupling an activity permit with the contingent security, the permit authorizing the holder to engage in an activity;

auctioning the contingent security coupled with the activity permit to a holder;

and

paying the holder of the contingent security according to the payment schedule if the contingency does not occur, and paying a party affected by the occurrence of the objectively measurable condition if the contingency does occur.

11. The method of claim 10 further comprising:

transferring the activity permit to a second holder in a first secondary market after auctioning the contingent security; and

transferring the contingent security to a third holder in a second secondary market after auction the contingent security.

12. The method of claim 10 wherein auctioning the contingent security coupled with the activity permit further comprises distributing the contingent security coupled with the activity permit through at least one of a primary market, a lottery, or an allotment, or a bond auction.

13. The method of claim 10 wherein the activity permit includes at least one of a right to sell a genetically modified organism, a right to use a genetically modified organism, or a right to sell a wireless device.

14. A method of doing business comprising:

selecting a contingency that is evaluated by a panel of judges;

selecting a payment schedule for repayment of a principal amount;

providing a contingent security in exchange for the principal amount;

coupling an activity permit with the contingent security, the permit authorizing the holder to engage in an activity;

auctioning the contingent security coupled with the activity permit to a holder;

and

paying the holder of the contingent security according to the payment schedule if the panel of judges determines that the contingency does not occur, and paying another party if the panel of judges determines that the contingency does occur.

15. The method of claim 14, wherein the panel of judges includes a committee of experts.

16. The method of claim 14 wherein the contingency includes at least one of a change in biodiversity, a change in human mortality, a change in incidence of human illness, or a change in incidence of cancer.

17. A method of doing business comprising issuing a financial instrument, the financial instrument including:

- a maturity date;
- a final price;
- a trigger event, the trigger event determining a recipient of the final price; and
- a permit, the permit authorizing an entity to emit a predetermined quantity of a predetermined substance.

18. The method of claim 17 wherein the recipient is an affected party when the trigger event occurs, and wherein the recipient is a holder of the financial instrument when the trigger event does not occur.

19. The method of claim 17 further comprising a plurality of coupon payments that are made to a holder of the financial instrument according to a payment schedule.

20. The method of claim 17 wherein the trigger event includes at least one of a rise in mean temperature, a rise in sea level, an increase in storm intensity, or an increase in storm frequency.

21. The method of claim 17 wherein the substance includes greenhouse gases.

22. A computer implemented market system comprising:

- a server hosting a market, the market for trading a plurality of instruments that include a security with a contingent payoff coupled to a permit to conduct a predetermined activity; and
- a plurality of clients connected to the server through a network, each client participating in the market by buying or selling one of the plurality of instruments.

23. The market system of claim 22 wherein the security and the permit are decoupled and traded in separate markets, each of the separate markets being hosted by the server.

24. A market system comprising:

a market hosting means for trading a plurality of instruments that include a security with a contingent payoff coupled to a permit to conduct a predetermined activity; and

a market participant means connected to the market hosting means for receiving orders to exchange at least one of the security and the permit in a secondary market, the market hosting means executing the received orders.